



STATE OF CONNECTICUT
OFFICE OF POLICY AND MANAGEMENT

Date: August 31, 2012
To: Agency Heads
From: Benjamin Barnes, Secretary
Re: Budget Adjustments (Policy Options) for FY 2014 and FY 2015 Biennium

The Governor has pushed for a lot of change over the last twenty months in order to better serve our constituents, the taxpayers. As the Governor often says, change is hard. But it's also necessary. Much of the change we have implemented is working, but we need to do more. Every day, we need to focus on making government leaner, cheaper, and more effective, all while continuing to deliver services at a level our taxpayers expect and deserve. Developing the next biennial budget to serve them is a critical next step. Throughout this process, we should all be mindful of the Governor's existing priorities: Growing the economy and jobs, advancing our hard-fought education reforms, and making state government cheaper, more effective and more transparent.

While our fiscal condition has improved significantly since 2010, our work is far from complete. The continued weak economy presents us with major challenges both in terms of lower revenues and steep demand for government services. In addition, the rate of allowable growth under the state's expenditure cap – likely less than 2% – will constitute a significant budgetary constraint over the upcoming biennium.

OPM's most recent estimate – from February – is that current services spending levels could exceed the cap by hundreds of millions in FY 2014 and by even more in FY 2015. However, the Governor has instructed OPM to prepare a budget that is under the cap. Accordingly, we must continue to search for realistic ways to significantly reduce expenditures to well below the current services level in our respective agencies, while at the same time delivering the highest quality services possible to the citizens of this state.

The people of Connecticut expect us to put forth our best ideas for streamlining and improving services and operations, prioritizing programs and reducing unnecessary expenditures. As always, budget options requiring legislative action are acceptable; agencies should be prepared to identify relevant statutory changes that would support reduction proposals.

Reduction Options

Given the economic and fiscal challenges facing the state over the next biennium, agencies are required to submit reduction options totaling ***five percent*** (5%) of their FY 2014 current services budget request. Because of the need to reduce appropriated expenditures to remain within the limits of the cap, which governs all appropriated funds, this target applies to all agencies, including those that are industry-funded. Agencies

should focus on directing resources to only the most essential programs, and should propose eliminating, scaling back, or finding significant efficiencies in all less critical areas. I strongly encourage you to be creative in considering alternative service delivery models, updates to your practices and procedures, cross-agency collaborations, and other new ways to do business. The Governor has demanded that we all drive change and improvement in our agencies, and the budget process is one of the primary mechanisms for advancing these efforts.

As in the past, agencies should give thought to any potential mergers and program consolidations that might merit consideration. If you identify potential savings that may be applicable across state government, I ask that you contact me, Deputy Secretary Karen Buffkin, or Executive Budget Officer Paul Potamianos so that the appropriate budget analyst can be assigned to follow up as necessary.

Reallocation Options

Reallocation options provide an opportunity for an agency to propose shifting resources between programs in order to address higher priority needs, as well as to realign funding to accounts that more appropriately support particular program activities. These options are “zero-based” in nature. An agency that has identified a need to shift resources between programs or accounts should submit a reallocation option. Reallocating agency resources to offset the potential loss of revenue or federal funds may be considered.

Revenue Options

Agencies may submit revenue options where the cost/benefit is clearly advantageous to the state. Any request for appropriations or positions necessary to secure additional revenue should be made sparingly, recognizing the need to constrain expenditure growth and the general economic conditions; to the extent possible, revenue options should be proposed within available resources. If state expenditures are required in order to receive increased revenue, your submission should provide detailed cost projections in addition to revenue estimates. Please be aware that appropriations made to secure additional revenue still count toward the expenditure cap.

Expansion Options

Given the need to reduce current services to live within the expenditure cap in FY 2014 and FY 2015, agency expansion requests will be very difficult to accommodate. Nevertheless, there may be issues that deserve consideration, even if funding cannot be provided. If you have identified new needs that must be met, it is expected that you will seek to reallocate funds within current resources. However, agencies are encouraged to identify those programs that should see increased funding because they provide the best opportunity to enhance economic growth. Finding the savings to support these investments will be difficult, but it is possible with offsetting budget reductions or through the elimination of low-priority and less effective programs and the consolidation of duplicative ones; through improving program efficiency by driving down operational

and administrative costs; and by supporting fundamental program reforms that generate the best outcomes per dollar spent.

Please submit an outline of any proposed economic growth proposals along with the estimated resources being requested no later than October 26th, with copies to the Executive Budget Officer and your budget analyst. Consideration will be limited to areas identified by this office in discussions with the Governor regarding his policy initiatives. We expect to notify you in early November if the Governor wants a formal expansion proposal submitted for his review; instructions regarding submission of expansion options, if any, will be provided at that time. Note that expansion options requiring a capital outlay should be accompanied by a companion capital budget option request. As in the past, no expansion options involving either the operating or capital budgets, including the pickup of federal funds, should be submitted unless prior approval of the concept has been provided by the Secretary or Deputy Secretary of OPM. In no case will expansion concepts be considered if the agency has not submitted responsive reduction option proposals by the required due date.

Agencies are to submit their reduction, reallocation and revenue option proposals to OPM's Budget and Financial Management Division not later than October 1, 2012.

The submittal should include one original and two additional hard copies of the Agency Summary and each of the individual FY 2014 and/or FY 2015 Requested Options (including backup documentation and proposed legislation). Additionally, agencies are to provide a complete copy of their submission to the legislature's Office of Fiscal Analysis.

Once again, the Governor and I thank you for your support and look forward to working with you to ensure that the citizens of the state continue to receive necessary services at the best possible cost.

c: Governor Malloy
Lieutenant Governor Wyman
Agency Fiscal Officers
Alan Calandro, Office of Fiscal Analysis